App. F. IX-4 P 100E

192 6.-27 File No. 30-26

*Previous References* "Preserved" Sanitary. preserve

Serial Nos. 567.

*Later References*
Secy. 21-28 (2+15)
L. Sr. 14-29 (1 to 7 & 12) L.M. 7-36 (1-2)
L. J 14-30-7

# General and Revenue Secretariat.

L. Sr. 6-32 (1-6)
L. Sr. 2-33 (1-3.7)
L. Sr. 16-34 (1-8)

*Serial Nos.* Three

**Part B for** May 1928.

**SUBJECT**

Proposals for the Establishment of a Land Mortgage Bank

Sl no 7

To
The Revenue Commissioner
The Secretaries to Govt.
The Deputy Commissioners
The Employer to Govt through Treasuries
The Secretary Land mortgage Committee

G.O. No G. 11438-449/10-4-28.

Proceedings orders about the Establishment of a Central Land Mortgage Bank at Bangalore.

4 Sl. of Post

JM

(For Disposal at a Meeting) (13) No. C. 191

of 1927-28

# GENERAL AND REVENUE SECRETARIAT.

**Council Matter.**

SUBJECT

(clause XII of the schedule)

Proposals for the establishment of a Land Mortgage Bank.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

13th December 1927. *Chief Secretary to Government.*

---

**First Member of Council.** (Seen)

3290 14/12 **Second Member of Council.** 15/12/27

5599 15/12 Third Member of Council. 16/12

D2

Fin 65-20 V
Secy 30-26-4.

Resolution proposed to be moved at the Mysore Legislative Council, February 1927.

---

RESOLUTION No. XX.11.

Mpver:- Mr. D.H.Chendrasekharaiya.

This Council recommends to the Government of His Highness the Maharaja that the scheme of Land Mortgage Banks be introduced in all the districts of the State without exception with a Central Bank at Bangalore.

Subs. A similar resolution had been brought up at the last session by the same member. Need refer to marked paras 4 & 5 of the notes in that file. Subs for noting.

A similar resolution was tabled by the same member for the last meeting of the Lc. There is no information as to how it was disposed of. Probably it was not discussed for want of time. As regards the merits of the resolution. Need attention is invited to paras 2, 3, and 4. and the orders of the Member at para 5 in the file linked to this.

8633/15/2

3) This may be dropped
Secy also considered
when discussed LM. Banks
at D.C's meeting suitable
decision taken afterwards
there is a shortage

Gen. Secy)
Member)

14/2

15/2

Please see and return to this Br)

WD 01229—GPB—37,500—1-9-26
App. F. III—2]



Serial No.

feeling, also in some Sacastic circles, that a Central Bank is essential for success of debenture bonds; & that our proposed Dist Banks may not lead to the function. Successfully. If there is a Central Bank at the functioning first only in a few Talks, the resolution will have to be approached from a different angle. I shall be glad to have Mr Rama Rao's views

10/2
1.5/2

4/ I have always felt that in the matter we shd: have a central Bank first if our Land Mge bank Scheme is to be a success. The chances of securing Sound management and of attracting the capital reqd. are very much increased if we could have a bank at Bangalore. This view was expressed by me when the first memo was good enough to give me an opportunity of taking part in the discussions of the Madras Com. of which he was Chairman. Be the Committee preferred to go to the analogy of Madras.

5/ I may mention that it is now nearly 4 months since our Land Mge ordr was issued - But yet the D. is have taken no action. I fear it is because they know that local support will be very inadequate

6/ I think it is not yet too late to modify our Scheme. If the views expressed

NOTE—Contn. Sheet

6520

WD 01229—GPB—37,500—1-9-26

App. F. III—2

General and Revenue Secretariat

Secret File No. 30 of 1926.

Serial No.

a draft Scheme will be put up for consideration just-

RR 16/2

8695/16/2

1) The Subjects raised up at D.C's meeting & the remarks made to be borne in mind when they comes before Executive.

Lee 17/2/27

RR 17/2

Lee 17/2

Decision at the Officers' meeting

2) A Committee is to be appointed - will give details in a note on Thursday - Please bring up

RR

3) Asked with a draft as personally instructed.

JMM 20/2/27

Lee 21/2

(Gen Secy)

Read from the minutes appended on 26/2/27 JMM

4) Anything else in the Committee

RR

5) Please ascertain from the Secretary.

Lee 3/3

NOTE—Contn. Sheet

6520

WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat

Sam File No. 90 of 1926.

Serial No.

My mind - the understanding that the subject was withdrawn until recent decision of the Exy. council. Refer also to Tom Mbya above
8/3(M)

Hardly necessary

13/ Kindly attention invited to para 4 of this D/Os. of the recent meetings of Secs. This has to be worked up in the Secs Secrett. The file will be transferred there of afterwards

Sec
10/3

(Hon. Secs).

Where is this?
M/ It is so
Stated anywhere; it will
Wong to have pointed it
out.
The matter has to
be dealt with here.
RG
11/3.

16/ At the Officers' Meeting some days ago, it was decided that a small Committee shd. be appointed to consider whether the Land mge institution shd. take the form of a Provincial Organization or of small District Banks. I propose the following names.

Chairman - First member

Members -

X (1) Mr. N. Mahadeva (Ch. Secy)
(2) Mr. N. S. Subbadas
X (3) Mr. N. Ramadas (Dev. Secy)
X (4) Mr. P. G. D'Souza
(5) Mr. N. S. Nanjundaiya
(6) Mr. P. W. O'Brien
~~(7) Mr. B. Srinivasaraghava (Director~~
X (8) Myself.

These names were settled at the meeting of the Officers
RG
11/3.

NOTE—Contn. Sheet

65'20

[App. F. III—2

General and Revenue Secretariat | Sam File No. 30 of 1926

Serial No

9368
11/3

17/ M. M. Seshaon (Asst Secy.)
will be the Secy of the committee
First meeting
Dewan
11/3
Secy 11/3

18/ This may perhaps be considered at next meeting, Income & Land with Dewans approval
Ldc
12/3

Dewan Sahi 13
Ch. Secy 14/3
Secy 14/3

MM

NOTE—Contn. Sheet

C 346 of 26-27

(23)

(1A)

G.R.S. III—3]

## Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

---

Chief Secy with Emptb

The personell of the Committee for Considering the L. M. Bains Scheme has to be selected tomorrow, if there is time

Secy
15/3/27

Secy to Govt
Judicial Dept
for info
15/3

(Enclosed.)

*N.B.*—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

6520 fm 2⁄ C246 C

Urgent Subject.-

Scheme for providing Land Mortgage Banks, in all the Districts of the State

....

OPINION OF THE COUNCIL

Note

20/ Committee as recommended in para 14 may be constituted

pm.
16/3

Dev Secy with Com/rs

pm 18/3

21/ Draft
RB
19/3.

22/ Draft submitted
21/3/23

23/ Draft for approval
Gen. Secy) 22/3

24/ Please bring
Gen. Secy) 22/3

25/ Draft revised as resolved
Gen. Secy) 22/3

WD 01228—GPB—37,500



General and Revenue Secretariat

Saw File No 30 of 1926.

Serial No.

26/ Draft for approval

First Member RG 28/3

28/3

9991/28/3

27/ Please fix a date tomorrow suitable to all the members, to discuss them tomorrow. The earlier, the better. ~~The letter~~ Copies of the letter should be sent to the outsiders.

RG 29/3/27

28/ Issue above

RG 29/3.

29/3

To the members of the Committee & the Comptroller.

No. E. 0603-A&S 30.3.27.

Directs the constitution of a committee to consider the question of establishing a Central Bank.

29/ Draft letter failed as circulated

~~30/3/27~~ 30/ Issue

2/4

To the members of the Committee

No. E. 0785-A&S 4.4.27.

Enquires whether any day in the last week of this month will suit their convenience

6520-26
~~1597-09~~

App. F/ III—2]

General and Revenue Secretariat.

File No. Fam 30 of 1926.

Serial No. 6

From the Secretary Land Mortgage Bank Committee Bangalore — no. 7836 & 24-9-1927

Forwards a copy of the note embodying the opinion of the Committee about the establishment of the Central Land Mortgage Committee at Bangalore

Subd. The ~~points~~ items requiring Govt assistance are the following:—

1. Govt guaranteeing interest on 20 Lakhs of debentures at 6%.
2. Govt guaranteeing two Lakhs of debentures issued
3. Land Mortage work being carried on by the Provincial Co-operative ~~Society~~ Bank.
4. Lending the services of
   (a) an officer to supervise & guide the work of the Bank and
   (b) an officer for attending to land ~~valuation~~ valuation work.
5. Arrangement with the Imperial ~~Government~~ Bank in regard to the financial backing to the extent of 3 Cr

1.

NOTE—Contn. sheet

WD 0324—GPB—60,000—24-5-27

2597-



General and Revenue Secretariat.

File No. Sav 30 of 1926.

Serial No.

4 lakhs of rupees.

6. Exemption from the payment of registration & other fees in connection with the examination of documents memorandums etc

7. ~~text~~ Amendments of certain legal enactments.

---

(1) Before a draft is put up the following points are for consideration & orders:-

(a) what amount is the net afflux on account of ~~interest~~ debentures & interest on debentures to be paid during the current year & how it is to be met

(b) what is the status of the 2 offices to be lent. & if the Provincial ~~Govt~~ Bank meeting that pay.

(c) what amendments are required.

Item 6 is one to be considered in the financial sect & if approved an extract will be sent for necessary action.

Sd/- MSK This is a council matter.

27/9/27 (4) It is also for consideration whether the Govt. approval

NOTE—Contn. sheet

WD 0824—GPB—60,000—24-5-27

General and Revenue Secretariat. | File No. 30 of 1926.

Serial No.

49) Kind attention is invited to the note embodying the opinion of the Land Mortgage Bank Committee and the draft bye-laws forwarded by them.

50) Two questions were referred to the Committee for opinion, viz.,

(1) whether the proposed Land Mortgage Bank Institution should be a Provincial Bank with local Branches or whether a separate Bank may be started in each of the district as suggested by the Malnad Improvement Committee of 1925;

(2) What assistantce financial or otherwise should be given by Government and in what form.

51) Regarding the first question, the Committee are of opinion that the Bank should be a Provincial Institution with local branches operating over the whole of the State. They suggest that for the present, the activities of the Bank may be limited to Sagar Taluk in the Shimoga District Koppa Taluk in the Kadur District, Manjarabad in the Hassan District and Tumkur in the Tumkur District. The share capital of the Bank should be -- about 5 lakhs and the Bank should be permitted to issue debentures of Rs.20 lakhs, the maximum rate of interest being limited to 6 per cent.

52) The Committee are of opinion that instead of starting a separate Bank for Land Mortgage work, the work may be entrusted to the Provincial Co-operative Bank at Bangalore. Rao Bahadur Mr. M. Shama Rao, the then President of the Provincial

NOTE—Contn. sheet

WD 0324—GPB—60,000—24-5-27

Serial No.



in rank and status than a Deputy Commissioner. This is a point for orders as to which Officer should be entrusted with the duties of the --- Registrar of the Land Mortgage Banks. As large financial commitments are involved, the Financial Secretary will have to be consulted.

58) This is a Council matter.

Secy
7/10

(Gen. Secy)

59) Please send the M. & Com. report, the G.O. on it, the subsequent replies of the Govt. Com. to the S. Venkatarama, Advocate, Kannan. He has promised to speak on all the points on the 19th or 21st inst.

Thanks.

RR
17/10

59) Draft G.O. sent

Sdy
17/10/27

59) Secy
Secy
17/10

To S. Venkataramayya Esqr. Advocate
Do. No. 1 of 17.10.27.

Sir,

I am directed to send herewith copies of the M. I Committee report, Tenancy Law Committee report, Bank Committee report and Government G.O. Ms. No. 601 Revenue (Agriculture) dated 18.10.27.

I have the honour to be,
Sir,
Your most obedient servant,
Secy

Sdy
18/10/27

(Gen. Secy) Secy 18/10

RR
18/10

App. F. III—2]

General and Revenue Secretariat. | File No. 30 of 1926.

| Serial No. | |
|---|---|
| 62) | Re submitted<br>Gen. Secy 5/11 |
| 63) | I understand that Mr D'Ramaswamy Who was Chief Pharmacist has declined the plan. Please put up next month.<br>8/11 |
| 64) | Submitted for orders.<br>14/11/27<br>Gen. Secy 14/11 |
| 65) | As personally interested a draft G.O. is submitted for consideration<br>Gen. Secy 30/11 |
| 66) | Joint-Member<br>1/12 |
| 67) | Agree-<br>3/12/27 |

NOTE—Contn. sheet

Serial No.

obligations to the debenture holders

71.) As regards the first and the chief item, I have to observe that the period for which the liability is to be undertaken by Government is not defined. The rate of interest seems to be rather high. Though the specified liability imposed on Government in respect of issue of debentures by the Bank is limited to payment of interest, the proposals practically amount to a moral responsibility vesting in Government for ~~ensuring~~ repayment of the principal also to the debenture holders. It is desirable, therefore, that suitable provision should be made in the Bye-laws for the punctual payment of interest on the debentures as well as for their redemption on due dates.

72.) Having regard to the present condition of the money market and the guarantee afforded by Government, it should be possible to the Bank to successfully float the debentures at interest less than six per cent. If the debentures are made negotiable and investment in them of Trust Funds is permitted, the bonds will become popular with investors. I note that the provision in the Rules is sufficiently elastic for the issue of debentures at a less rate than 6 per cent according as the conditions of the money market would warrant at the time of issue but as it is the intention of Government to float a

Serial No.

public loan at a favourable opportunity for converting the higher interest bearing bonds, it is desirable that the Government guarantee should be limited to such rate ~~xx~~ of interest as will not prejudice their loan operations. The Bombay Government have guaranteed interest at 4 per cent on the debentures raised by the Provincial Co-operative Bank to finance the Land Mortgage Banks there.

73.) Further, the maximum rate of interest on long-term loans to be issued by the Bank is fixed at 8 per cent and there should be a sufficient margin to cover expenses, incidental losses etc., after payment of interest to debenture holders.

74.) In view of all these considerations it seems to me that the maximum rate of interest on the debentures may reasonably be fixed at 5½ per cent per annum. If provision for any higher return on the debentures has to be made, the question of grant of a share in the profits, after payment of a minimum dividend say, of 6 per cent, to share-holders may be usefully considered later.

75.) As I have already pointed out, no period is prescribed for the Government guarantee. I should think that this should be limited to the currency of the debentures issued within a period of say, 10 years from the date

Serial No.

of the constitution of the Land Mortgage Bank. Draft Bye-law No. 26 says that debenture bonds are liable to be redeemed at such periods, not less than 25 years, as will be prescribed by the Bank. This is too indefinite. I would propose that the debentures should be liable to be redeemed within a maximum period of 30 years and that the Government guarantee for payment of interest on any debenture should not extend beyond that period.

83) The land which is sought of (25 or 30 yrs) Payment of interest will be required as stated. RG 9/1

76.) To enable the Trustee to effectively see to the discharge by the Bank of its obligations to the Debenture holders, I would suggest the following provisions being introduced:-

(1) The payment of interest on the debentures current should be a first charge on the collections made out of loans given to members. The recoveries made from the ~~bxx~~ borrowers towards the long-term loan should be deposited with the Trustee or invested in a suitable bank with his consent and should be used in the first instance for payment of interest on the debentures half-yearly or yearly as may be prescribed by the Bank. When the recoveries are not sufficient to meet the interest charges, the Trustee should be competent to call on the Bank to make good the deficiency from ~~out-of~~ its

84) May be accepted RG 6/1

Serial No.

individual borrowers where the loan applied for is not less than Rs 2,000/-. Bye-law No. 12 which permits the grant of loan of Rs 500/- and above is inconsistent with this provision.

Bye-law No. 14.- The maximum period prescribed for the repayment of a loan viz., 50 years is much too large. I would propose that the minimum be fixed at 20 and the maximum at 30 years instead of 25 and 50 years respectively.

Bye-law No. 26.- The maximum rate of interest may be fixed at 5½ per cent and the maximum period at 30 years. The rule may be revised as under:-

"Subject to Bye-law No. 10, the Bank may raise loans from time to time up to a maximum of Rs 20 lakhs by issue of Debenture Bonds bearing interest not exceeding a rate of 5½ per cent per annum and liable to be redeemed within such period not exceeding 30 years, as may be prescribed by the Bank."

Bye-law No. 28.- This provision leaves the question of repayment of the debentures rather indefinite. It would be desirable to fix a minimum period say, 10 years any debenture, within which the Bank shall not redeem. After this period, it may redeem or repurchase the debenture bonds in the manner proposed,

(25

*Extract from the Proceedings of the* 814th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 27th December 1927. *19*

70. Subject. - Clause xii of the schedule.

Proposals for the establishment of a Land Mortgage Bank.

OPINION OF THE COUNCIL.

99) The scheme embodied in the draft Govt. Order may be approved.

(Signed) Mirza M. Ismail,

Dewan of Mysore.

"EXTRACT"

*Chief Secretary to Government.*

WD 1471—GPB—2,000—1-3-21

G.R.S. III—3]

(270)
1927

## Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

DEWAN'S OFFICE
Received on
17. JAN. 1928
Reg. No. 4419

Land Mortgage Bank

104) Before sending the file to Dewan with D.S. N, it may be advisable to clean over the draft G.O once again & also the bye laws.

nm
7/1/28

Sec Leg with Compliments

105) Thank you this both & perhaps clean copies

Ch. Sec Leg with Comp[liments].

Rej
16/1.
17/1

106) Sub→ with a D.N

Dewan,

nm
17/1.

107) The Dewan suggested that the Sec Leg might consult Mr Cole, Manager, Imperial Bank in person.

nm
19/1.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

1083

G. R. S. III—3]

(28)

## ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Mr Rama Rao with Comptr. Genl
1087
It seems essential that
finial orders of Govt re Statutory
L.M. Banks, shd issue about
a week before next meeting
of L.C. So that members
might be made aware. Is this possible?
(Mr. Venkatesiah who opposed the
to the measure in LA will attend
next meeting.)

Lee
17/12/20
Secy
15/2
Genl

109) [Mr. S. Venkatesaiya was in favour of the scheme sanctioned in the draft G.O. I gave him the details at a personal conversation.]

110) Verbal instructions conveyed that the Ch. Secy, the L.M. Bank Scheme has been sent to Mr. Cole, Manager of the Bangalore Branch of the Imperial Bank, for opinion. He has promised to let me on Thursday the 23rd. I think therefore that the G.O: will probably issue well before the next meeting of the Leg. Council.

RR
20/2
Joint Secy

111) Seen Thanks. (Orders
Govt issue in V. & urge that
as a ground for adjourning
Standing of the Agr. Rel. Bill)
Lee
20/2/20

N. B.—Should routine notes be written on small slips the notes must be signed, or slips pasted on this form

Fin 6939

DEWAN'S MINUTE.

FILE No. 192

DEWAN'S OFFICE
Received on
21 FEB 1928
Sec. Memo
818.

Land Mortgage Bank

1W/ How does the question stand?
is it proposed to issue the order?

MD
19.2.28

DEWAN'S OFFICE
Received on
21. FEB. 1928
Reg No. 5900

Dewan Sahib

Sd Lest with complts.

MTS
20.2.28

2/ I have been asked to consult Mr. Cole
113/ of the Imperial Bank (Banyan Br) on this
Subject & am meeting him by appointment on
Thursday next

114/ [illegible]
20/2/28

Dewan

TRS
20/2/28

G.R.S. III—3]

## Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

(116) Mr. Cole to whom I had supplied all the necessary papers saw me the day before yesterday, and went over the scheme with me for over an hour. He has agreed to the scheme outlined in the G. O. except on the following matters:—

(1) He does not want the L. M. Bank to give short term loans.

(2) He does not want the village Coopve. Societies shd. be branches of the L. M. Bank. He will prefer to keep the two separate.

(3) He would not advise the L. M. Bank to take up deposit work.

(4) He would fix the strength of the Supervising Bd., at 3.

(116) I fully agree with Mr. Cole & suggest that his views may be accepted by Govt.

[I may add that Mr. Cole had taken very great pains to familiarise himself with the subject. He not only had up the literature on the subject but also

*N.B.*—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form

1939 (30

G.R.S. III—3]

## Routine Notes.

[To be used only for notes, requisitions, etc., not intended for

DEWAN'S OFFICE.
Received on
1 MAR. 1928
Reg. No. 5390

Consulted his friends in Colombo, Principals & Madras & also obtained unofficially the opinion of the Madras Committee on Co-operation. I think we may omit to thank him for the trouble he has taken in the matter. J

First member 29/2/28
Dewan thro
Ch. Secy

7106
Please furnish a letter
29/2

yes 29/2
118)

Yes. Mr Col may be written to, thanking him for the great help he has rendered Govt. in the above suggestions.

119) A revised G.O. embodying the suggestions made by Mr. Col, with which I presume the 1st Member agrees, may be put up & all the other Members of Council for approval or other remarks. The final Mgs. will have the note for Govt's orders.

1-3-28

To Govt Secy with Compts
yes
2/3

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form

37

6685
/ gm

G.R.S. III—3]

## Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

(20)

Please pursue.

(1) [illegible]

(2) [illegible] ← moved by Secy → [illegible]

[illegible]

RB
2/3/28

submitted to Hon'ble Chairman
7/3

(21) Draft letter. Code and decoded draft. G.O. and Notification regarding Legislative Council for Secretariat.

Yes
Gen. Secy. 7/3

* Approved by Gen Secy as corrected & revised by me
Do. no G. 10826
21st March 28.
JCM

(22) Please change draft Boards address of [illegible] Khadi Boards & Khadi [illegible] Director Cottage Industries [illegible] Secretary [illegible] Chairman [illegible] Secretary [illegible] Director

697

G.R.S. III—3]

(39)

## Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

123) Revised draft G.O. and bye laws are submitted for consideration. Kind attention is invited to bye-laws 7, 12, 28, 35, 36, 37, and 43.

124) The maximum rate of interest on deben tures proposed by the Committee is 6%, the rate suggested by the Hon. Secy is 5½%, the rate mentioned in the finial note is 5%. 5% has been adopted both in the draft G.O. and bye laws

25) The Structure of the Bd & Supervision, and also in regard to fees, in case of the President of the Bd of Directors. This is in accordance with the instructions given by the Secy today.

126) If the draft is approved, fair drafts will be typed and printed.

Gen. Secy) 9/6/13

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form

127) I am getting the draft G.O. typed. Please put up a fair copy of the bye laws on receipt from Dy. Insp. 15/3/13

128) Typed Corrections & circ draft and G.O. and draft Byelaws as revised are prepd The D.I. N does not seem to require revision.

Gen. Secy) 9/6/13 20/3

6735

App. F. III—2]

General and Revenue Secretariat. Sam File No. 30 of 1926

(35)

Serial No.

DEWAN'S OFFICE
Received on
4 APR. 1928
Reg. No. 6270

OFFICE OF THE THIRD MEMBER OF COUNCIL.
26 MAR. 1928
No. 9432

CHIEF SECRETARY.
21 MAR. 1928

The draft G.O. & the Bye laws have been revised accd to the latest decision of the Govt said accd to the Dewan's order dt 1.3.28

Member of Council
thro
Chief Sec

RG.
24/3/28

Please see.
23/3/28

Please submit this to Fin Secy (now) RG 27/3/28

Fin' Secy (now) with Comptr. RG 27/3/28

Please see.
25/3/28

Please see.
27/3

Please see.
28.3.28

In view of the discussion in the Leg. Council (Legislation some reasons before the Bye laws become legal & action has to be taken in the matter as prompt as possible. Perhaps Collector should not [illegible] a little before.)

In instruction of this order may issue & the file received with DSN

First Member
Dewan

RG
29/3/28

Issued

RG
3/4/28

NOTE—Continued on sheet

WD 0324—GPB—60,000—24-7-1926

6939

App. F. III—2]

General and Revenue Secretariat. | File No. 30 of 1926

(35)

Serial No.

R. cem. 1733 / 29.11.4-28 (138) Financial secy. has agreed. Draft & fair sheet

11/4

139) [illegible]

Communicated

To the Revenue Commissioner.
" " Lemmens & Co
" " Dy. Accts. Genl
" " Comptroller Mysore Govt Press
" " Dy. Land Mortgage Bank Commr
no. Dy. 11438-44 dt 10.4.28

Papers about the establishment of a Central Land Mortgage Bank at Bangalore

140) Resubmitted after issue with a D.F.N.

Jan 12/4/28

141) D. F. N. for approval

Reg 12/4

8478 13/4

Secy. Secl.

142) The D.F.N. already approved has been slightly changed (in view of the fact that the Govt has issued the Sub Committee's Report)

First Member

RB 12/4/28

143) Lee 13/4/28

144) F. N. Signed by Member

16/4

NOTE—Contn. sheet

WD 0324—GPB—60,000—24-5-27

App. F. III—2]

0939

General and Revenue Secretariat. | Sem File No. 30 of 1926.

Serial No.

1457 Please submit with a DSN to the Dewan

RB 16/4/2

DEWAN'S OFFICE
Received on
17. APR. 1928
Reg. No. 6549

1458 D.S.N. submd

Jom KP 17/4/28

Dewan) Rec 17/4

Dr 18.4.28

NOTE—Contn. sheet.

WD 2293—GPB—10,000—4-5-27

**Final Note by the First Member of Council.**

***Subject :—***

Proposals for the establishment of a Land Mortgage Bank.

The question of establishing Land Mortgage Banks in the Malnad for improving the economic condition of the area has been engaging the attention of Government for some time past.

The Malnad Improvement Committee of 1925 of which I was the Chairman, recommended the establishment of Land Mortgage Banks in the Malnad. In passing orders on the report of the Committee, Government indicated their intention of establishing a Land Mortgage Bank in each of the Malnad Districts of Shimoga, Kadur and Hassan. It was subsequently brought to the notice of Government that a Central Bank at Bangalore with local branches, would better meet the needs of land mortgage credit and would ensure sound management and adequacy of - - funds. In March 1927 last, this question was referred for consideration to a Special Committee, of which also I was Chairman. The Committee was also asked to consider the nature and extent of the assistance to be given by Government to the Institution.

On a consideration of the report of the Committee, it is now proposed to establish a Land Mortgage Bank at Bangalore as a Provincial Institution. The operations of the Bank will be limited for the present to the Sagar Taluk in the Shimoga District, Koppa Taluk in the Kadur District, Manjarabad taluk in the Hassan District and Tumkur taluk in the Tumkur District. The Bank will have a share capital of five lakhs of rupees. Government will guarantee interest on the debentures at a rate not exceeding 5 per cent. Government will, if necessary, be prepared to invest in the Bank an aggregate sum of five lakhs of rupees. The organisation and general supervision of the Bank will be entrusted to an officer called the Director of Land Mortgage Banks.

The

The scheme was considered in Council on the 27th December 1927 and it was resolved that the scheme as embodied in the Government Order enclosed herein may be approved.

Page 25 of Office Notes

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The Government Order issued in this matter with Dewans approval is submitted for His Highness' gracious perusal

K. Chandy

Bangalore,
16th April 1928.

MEMBER OF COUNCIL.

# Submitted to His Highness.

I submit herewith a Final Note by the First Member of Council on the subject of proposals for the establishment of a Land Mortgage Bank

for His Highness' gracious ~~approval~~ perusal.

Bangalore,
17th April 1928

K. Reardy
Dewan. (In-Charge).

General and Revenue
Secretariat

SUBJECT

Proposals for the establishment of a Land Mortgage Bank.

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then to the Secretariat concerned for the issue of orders.

Circulated to Members of Council for perusal of His Highness' orders before/after issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

By Order,

*Chief Secretary to Government.*

Through the Secretary to Government,

..... General Department,

FIRST MEMBER OF COUNCIL.

SECOND MEMBER OF COUNCIL.

THIRD MEMBER OF COUNCIL.

NOTE.—Contn. sheet.

Law 30-26-5

4

Proceedings of the Government of H.H. the Maharaja of Mysore.

Order No. G10603-4

Bangalore dated the 30·3, 1927.

In Government Order No. C.1-50/San. 17-26-1 dated the 11th October 1926, Government have indicated their intention to establish a Land Mortgage Bank in each of the Malnad Districts of Shimoga, Kadur and Hassan and to confine their operations, for the time being, to one taluk in each district. In view of the fact that certain representations have been made to Government that a Central Bank at Bangalore with ~~jurisdiction over the whole State~~ branches at the requisite places would better meet the needs of land mortgage credit, besides ensuring sound management and adequacy of funds for the institutions, Government are pleased to direct that a Committee consisting of the marginally noted gentlemen be constituted to consider the question. In addition to the sphere of the institution, the Committee is also requested to consider what assistance should be given to this institution by Government, and ~~if any~~ in what form to ~~be given, what form they~~ should take.

Chairman.

First Member of Council.

Members.

1. Mr. N. Madhava Rao, B.A.B.L. Chief Secretary to Govt.
2. Mr. N.S. Subba Rao, M.A. Bar-at-Law.
3. Mr. N. Rama Rao B.A., B.L. Dev. Secy to Govt.
4. Mr. P.G. D'Souza, B.A.,B.L. Rev. Commr.
5. Mr. N.S. Nanjundiah, Pleader, Hassan.
6. Mr. P.W. O'Brien, Manager, Mysore Bank.
7. Mr. R. Ranga Rao, B.A.B.L., General Secretary.
8. Mr. M. Seshadri, M.A., Asst. Secy to Govt. (To be the Secretary.

28/3

General Secretary to Govt

To the members of the committee
in Circular letter to Govt

Jmy 28/3/27

WK 237
Sans 30-26-6

Office of the Secretary, Land Mortgage Bank Committee,

Bangalore, dated the 24/5 September 1927.

No:- G 3436/San
1 & 2

From

M. Seshadri, Esq., M.A.,

Secretary, Land Mortgage Bank Committee,

BANGALORE.

To

R. Ranga Rao, Esq., B.A., B.L.,

General Secretary to Government,

BANGALORE.

Sir,

With reference to Government Order No. G. 10603-4/San. 30-26-5 dated 30-3-1927 appointing a committee for going into the question of establishing a Central Land Mortgage Bank at Bangalore, I am to enclose herewith a copy of the note ~~furnishing~~ embodying the opinion of the Committee in the matter. All the members have approved of the note except Mr. N.S. Nanjundiah, whose reply has not yet been received.

I have the honour to be,
Sir,
Your most obedient Servant,

SECRETARY, LAND MORTGAGE BANK COMMITTEE.

K.N.

Report of the Committee appointed to go into the question of the formation of Land Mortgage Banks in Mysore.

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In their Proceedings No. G. 10603-4/ Sany. 30-26-5 dated the 30th March 1927, the Government of His Highness the Maharaja requested us to examine the provisional decisions at which they had arrived on the question of the formation of Land Mortgage Banks as one of the measures of Malnad Improvement and asked us for our opinion expressly on two important points:- firstly whether the proposed bank should be an institution working on a provincial scale and secondly what assistance the Government should give to the bank and in what form.

We examined the question generally at a meeting held on the 23rd April 1927 and came to certain provisional decisions and we requested Messrs. N.S. Subba Rao, P.W. O'Brien and R. Ranga Rao to examine them in detail and favour us with their well-considered opinion. This Committee to which Messrs. N. Rama Rao and K.H. Ramayya were co-opted considered a note put up for them by Mr. R. Ranga Rao and later on considered the matter at a meeting held on the 27th of August 1927 with Mr. K. Chandy as Chairman. Our opinion of the whole matter which is based on this Sub Committee's views is given below.-

The bye-laws which we attach to this note give a detailed idea of the scheme which has our approval. We may, however, refer to the

Principal

principal features of the ~~xxxx~~ bye-laws. Firstly, we think that the Land Mortgage Bank should be a Provincial Institution. It may for the present, confine its operations to the Sagar Taluk in the Shimoga District, Koppa Taluk in the Kadur District, Manjarabad Taluk in the Hassan District and Tumkur Taluk in the Tumkur District. Later on, however, we think that it should take up work elsewhere also without any limitation as to area, except so far as the funds at its disposal renders such a restriction - necessary. The bank should have a share capital of at least Rs. 5 lakhs and should be permitted to issue debentures to the extent of Rs. 20 lakhs. Government should guarantee interest on all the 20 lakhs of debentures, the maximum rate of interest being limited to 6%. Government should further guarantee at least 2 lakhs of the debentures issued by the Bank. The institution should work in the areas coming within its operations through local cooperative institutions either specially formed for land mortgage work or through the existing co-operative institutions where such - institutions are agreeable to undertake the work either as ~~xx~~ part of their ordinary duties or as a separate branch of their - activities. In rare cases, however, the Mysore Land Mortgage Bank may also deal with individual borrowers, but in such cases, the loan handled should not be less than Rs.2,000 in each case. All the capital derived through

debentures

debentures should be invested on long term loans. There is no objection --in fact we think it is desirable-- to the bank utilising the whole or a part of its share capital and deposits on the issue of short term loans to its borrowers. This work may appropriately be left to the local associations and in order to enable them to undertake the work, they may be given an advance of about Rs.1,000 in each case. Except to this extent, these local associations should have no financial functions whatever. They should in the first instance receive loan applications, examine the adequacy of the securities offered by the borrowers and transfer them to the Central Land Mortgage Bank. The latter will send out their valuers, examine the adequacy of the securities offered and either approve or disapprove of the loans applied for. When the value of the loans applied for reaches the sum of a lakh of rupees or some such figure, the Central L.M.Bank will issue debentures on the security of the properties mortgaged to it. The money raised by this issue will be distributed to the various borrowers through the local associations and these associations will see to the proper distribution of the money and to its proper utilisation. When the time comes for the recovery of the money, the local institutions will collect it and transfer it automatically to the Central Institution.

A question of very great importance which has received our consideration in this

connection

connection is this.- Should the Land Mortgage Bank described above be formed as a separate institution or could any of the existing - institutions undertake long term credit. - Rajakarya Prasakta Rao Bahadur M. Shama Rao, President of the Mysore Provincial Co-operative Bank, has very kindly offered to undertake this work as a part of the activities of the Mysore Provincial Co-operative Bank. We think this arrangement is the most satisfactory one that we could think of. The Provincial Bank has got a prestige and position in the Co-operative world which will go far to secure trust and confidence in the land - mortgage idea. We propose, therefore, that instead of forming a new institution, land mortgage work may be left to be carried on by the Provincial Co-operative Bank. In order that they may undertake this work, their bye-laws will have to be modified on the - lines of the bye-laws which we have attached to this report.

As regards Government assistance and the form which it should take, we have already stated our opinion that Government - should guarantee a minimum sum of Rs. 2 lakhs of debentures issued by the L.M. Bank, and further that they should guarantee interest on the debentures issued at a rate not exceeding 6%. Further, Government should lend the services of an officer competent to supervise and guide the work of the Bank. They should have power, whenever a series of debentures

is

is proposed to be issued, to decide whether such debentures should be issued or not, and whether the interest proposed to be paid is reasonable or otherwise. They should also have power to examine the valuation of the properties mortgaged as securities and, as a matter of safety to the public and to themselves, undertake a careful test valuation of at least 10 per cent of the properties mortgaged. In addition to these, Government should lend to the Central L.M. Institution officers who possess suitable qualifications for being employed on land valuation work. Government should also help this bank to get into terms with the Mysore Bank and to secure financial backing to the extent of about 3 or 4 lakhs of rupees.

The Bank should also enjoy the privilege of being exempted from the payment of registration and other fees in connection with the examination of documents and encumbrances in connection with the lands mortgaged to the institution.

It will be noticed that the bye-laws involve amendments of certain legal enactments. We suggest that the matter may be considered by Government and necessary amendments undertaken.

In conclusion, we think that the need for starting a Provincial Land Mortgage Bank of the kind that we have suggested is very great and that steps should be taken at once to establish one. The Provincial Co-operative

Co-operative Bank should immediately hold a meeting and adopt the necessary changes in its bye-laws. Progress at first will, we have no doubt, be slow, but we think that on account of the work being handled by the Provincial Co-operative Bank, it will soon secure public interest and co-operation. The public will soon realise that these banks which offer a very safe source of investment serve a great part in the rural economy of the State and deserve their fullest support and confidence.

RZ
3/9.

APPENDIX I.

DRAFT BYE-LAWS FOR the Mysore LAND MORTGAGE BANK.

THE Mysore LAND MORTGAGE ASSOCIATION.

*Bye-Laws.*

1. This Association shall be called the ...Mysore... District Land Mortgage Bank.

2. The Office of the Bank shall be situated at Bangalore.

3. The object of the Bank is to grant loans to members.

4. Loans may be given by the Bank only for the following purposes:—

(1) Current agricultural operations.

(2) Redemption of mortgage.

(3) Improvement of land or of methods of cultivation.

5. The liability of a member of this Bank shall be limited to the value of the shares held by him in the Association.

6. There shall be 10,000 shares of the value of Rs. 50 each.

7. Membership of the Bank is open to every subject of His Highness the Maharaja who has attained the age of majority and is legally capable of entering into a contract, to several such persons jointly and to every registered co-operative institution Notwithstanding anything contained above, nominees or legal representatives of deceased members may be admitted as members although such nominees or legal representatives are minors.

8. Every member of the Bank must take at least one share

9. Shares are not withdrawable or transferable except with the sanction of the Bank provided that no member will be permitted to withdraw his shares within 10 years of the date on which such shares are taken by him and provided also that not more than 10 per cent of the aggregate share capital of the Bank at the beginning of a year is allowed to be withdrawn in any year.

10. The funds of the Bank shall include share capital, loans raised by debentures deposits, *grants* and *other miscellaneous items*, but at no time shall the liabilities of the Association exceed ten times the subscribed share capital plus reserve fund.

11. The Board of Directors may receive deposits at their discretion either from members or others and it shall be open to them to settle the terms on which deposits shall be taken provided that the interest on such deposits shall not, in any case, exceed 6½ per cent per annum and provided also that no deposit shall be received for a period of less than two years.

12. The Bank shall not grant loans of an amount below Rs. 500 nor above Rs. 5,000 ordinarily provided that where a loan is granted to a co-operative society for the use of its members the amount of the loan may amount to 30,000 rupees.

13. Loans granted by the Bank shall bear interest at rates fixed from time to time but not exceeding—

(1) a maximum of 8 per cent per annum in the case of long term loans, and

(2) a maximum of 12 per cent on short term loans.

14. Long term loans granted by the Bank shall be repayable in equal yearly instalments not exceeding 25 and shall not be liable to be re-called except under conditions specified in Bye-Laws 21 and 22. Nothing in this bye-law shall be considered to preclude the borrower from repaying his loan wholly or in part at any earlier time.

15. The loan and the interest shall be discharged by a system of equated payments, but the borrower will be at liberty to pay larger sums at his convenien

16. Loans shall be granted by the Bank only on the mortgage of immovable property except in the case of short term loans which may on suitable security be granted for working expenses to members who have taken long term loans.

17. For the present, the lending operations of the Bank shall be confined to the taluks of Tumkur, Sagar, Koppa, and Manjarabad.

18. The capital raised by debentures shall be invested on long term loans, short term loans being given out of shares & deposits.

45. The question of re-adjusting the malnad districts so as to bring the Hassan and Kadur malnad under the same agency may be investigated. (Para 52.)

46. A Committee may be formed for each district for advising in regard to the operations under the scheme. (Para 53.)

47. A Conference may be held each year for reviewing work under the scheme and making suggestions to Government. (Para 53.)

Acknowledgments

The Committee desire to express their obligation to Dr. Md. Usman, and Messrs. R. Ranga Rao and K. H. Ramaiya for the valuable assistance rendered to the committee in their deliberations by these gentlemen. They also desire to record their appreciation of the ability and zeal with which Mr. M. Venkatesa Iyengar, the Secretary, assisted them in their work throughout.

C. S. BALASUNDARAM IYER.
G. B. HEBLIKAR.
A. K. SYED TAJ PEERAN.
R. NANASWAMI RAO.
N. S. NANJUNDIAH.
C. SUBBA RAO.
PET. GEO. D'SOUZA
SYLVESTER PAIS.
A. MOHAMED HUSEIN.
B. DEVA GOWDA.
N. S. SUBBA RAO
W. L. CRAWFORD
K. MATTHAN.
C. SRINIVASA RAO.
K. CHANDY (*Chairman*).

M. VENKATESA IYENGAR, (*Secretary*).

19 ~~17~~. (1) Loans granted by the Bank shall not exceed 50 per cent of the value of the property which is mortgaged to the Bank on account of those loans provided that in case the loan is to be applied for the improvement of land the amount of loan may go up to 60 per cent.

20 ~~18~~. The land mortgaged to the Bank as security under bye-law 17—shall have no prior encumbrances, save the mortgage or mortgages to be redeemed by the loan given by the Bank. Further, it shall not be made subject to any subsequent encumbrances either by way of further mortgages, sale, gift or otherwise to any one except the Bank and except with the previous sanction of the Board of Directors, and any encumbrance made in contravention of this bye-law shall be invalid.

21 ~~19~~. The mortgage shall be without possession, subject to the condition that if the mortgagor fails to pay principal and interest according to his contract, the Bank shall be entitled to take possession of the land for such term not exceeding twenty five years as the Board of Directors may consider equitable. During possession, the Bank will manage the property and after deducting expenses use the proceeds towards redemption of the debt.

22 ~~20~~. The valuation of the properties offered as security for loans shall be made by the Bank in accordance with subsidiary rules to be framed in that behalf.

23 ~~21~~. Loans are liable to be recalled.—

(1) if after the grant of a loan the information obtained regarding the property, the charges thereon or the rights of disposal thereof is found to be incorrect,

(2) if a loan is utilised for a purpose different from that for which it was granted,

(3) if the property on which it is secured has in the opinion of the Bank deteriorated in value and the borrower fails to furnish additional security to the satisfaction of the Bank,

(4) if on the death of the borrower or in the case of joint debtors on the death of any one of them his legal representative does not consent to continue as a Member,

(5) if for any other reason, the debtor or in the case of joint debtors any one of them ceases to be a Member,

(6) if the debtor makes default in the payment of any instalment on the due date.

24 ~~22~~. If in any case not expressly provided for above, the Board of Directors consider that a debt is in danger, they shall recall the loan with the approval of the Registrar of Land Mortgage Banks.

25 ~~23~~. When a loan recalled by the Board of Directors is not repaid within three months from the date of recall, the Directors shall apply for a foreclosure of the mortgage to the Registrar of Land Mortgage Banks who after notice to the defaulting debtor and necessary enquiry will have power to order such foreclosure. The Registrar may order distraint of movables in the case of short loans. These orders shall have the same effect and shall be executed in the same manner as if passed by a competent Civil Court.

26 ~~24~~. Subject to bye-law 10 the Bank may raise loans from time to time by issue of debenture bonds bearing interest not exceeding 6 per cent per annum and liable to be redeemed at such period not ~~exceeding~~ 25 years as may be prescribed by the Bank.

27 ~~25~~. Debenture bonds shall not be issued except with the provious sanction of the Government and they shall be in such form and contain such covenants and provisions as the Bank, may, with the previous sanction of Government, prescribe in this behalf.

28 ~~26~~. The Bank shall draw for redemption by lot as many debenture bonds as its financial condition permits, or if the Bank deems it preferable, it may repurchase its bonds instead of drawing them by lot.

29 ~~27~~. The Bank shall be at liberty to effect a reduction in the rate of interest payable on any series of debenture bonds provided that option is given to the holders of such bonds to accept payment in cash at par value.

30 ~~28~~. The Government shall appoint a trustee whose duty shall be to see that the Bank fulfils its obligations to the debenture-holders. For this purpose, the Bank shall transfer to the trustee its rights in the mortgages on the security of which debentures are issued. The trustee shall have power to require the Bank to credit to an account opened in his name, in such Bank as may be approved for the purpose by the Government, all recoveries made from members of the Bank under any of the mortgages whether on redemption or upon sale under any power of sale applicable thereto. He shall also have the following powers:—

(i) to invest or to require the Bank to invest the money at the credit of his account in his own name in any investment or deposit authorised by clauses (*c*) (*b*) and (*d*) of section 32 of the Mysore Co-operative Societies Regulation or in any other Securities approved by the Registrar of Land Mortgage Banks and to vary such investments at his discretion;

(ii) to require the Bank to redeem any or all of the debentures;

(iii) to determine the method of redeeming any debentures before the expiry of the term for which they were issued; and

(iv) to proceed against the bank or the mortgagors whose mortgage deeds have been transferred to them or against both, in case of default of payment of moneys due to the debenture-holders.

The trustee can, at any time, be replaced by another trustee. A trustee so appointed shall, as the successor in interest of the trustee whom he replaces, inherit all his powers and rights.

~~32~~ 29. The total value of debentures, actually in circulation at any time must not exceed the total value of the mortgage bonds and other assets assigned by the Bank to the trustee and held by him.

~~33~~ 30. The administration of the Bank shall be vested in the following

(1) Board of Directors.
(2) Board of Supervision; and
(3) The General body of the members of the Bank

~~34~~ 31. The ultimate authority in all matters relating to the administration of the Bank shall be the general body of the members who shall meet from time to time and at least once a year to conduct the work of the Bank. The following among other matters shall be dealt with by the general body:—

(i) The election and removal of their representatives on the Board of Directors and the Board of Supervision.
(ii) The annual report due to the Registrar of Land Mortgage Banks.
(iii) The Registrar's annual audit order.
(iv) The amendment or repeal of any existing bye-laws or the enactment of a new bye-law.
(v) The expulsion of a member.
(vi) The consideration of any complaint which any individual member may prefer against the Board of Directors or the Board of Supervision
(vii) The returns that may be prescribed by the Government.

~~35~~ 32. A meeting of the general body of the members may be convened whenever necessary for the conduct of the business by the Board of Directors and shall be so convened by the Board of Directors at the request of 15 or more members or at the instance of the Registrar.

~~36~~ 33. The Members of the Board of Directors and of the Board of Supervision will consist of Members of the Bank and representatives of Debenture Holders provided that the Government of His Highness the Maharaja of Mysore shall have the right to nominate two persons to the Board of Supervision and one to the Board of Directors, whether members of the Bank or representatives of Debenture Holders or others.

~~37~~ 34. The Board of Directors shall consist of seven members four of whom shall be elected by the Members, two will be representatives of Debenture Holders selected by Government and one will be nominated by the Government of Mysore, all the Members holding office for a period of two years.

~~38~~ 35. The Board of Supervision shall consist of seven members three of whom shall be elected by the members, two will be representatives of Debenture Holders selected by Government and two will be nominated by the Government of Mysore, all the Members holding office for a period of three years.

~~39~~ 36. The Board of Directors shall administer and conduct the affairs of the Bank, prepare and issue agreements, declarations, etc., represent the Bank by one of its members selected for that purpose at all legal proceedings. It shall also appoint, control, and dismiss officials like book-keepers, cashiers, clerks, local agents, etc.

~~40~~ 37. The Board of Supervision shall have general control and supervision over the affairs of the Bank. In particular it will—

(1) cause the accounts of the Bank to be audited at least twice a year by two of its members.
(2) present to the General Meeting a statement of accounts;
(3) prepare all necessary subsidiary rules for the carrying out of these bye-laws;
(4) settle the principles of land valuation;
(5) authorise the issue by the Board of Management of mortgage bonds subject to the provisions of bye-law 27 and
(6) decide appeals against the decisions of the Board of Directors.

~~41~~ 38. Without prejudice to the powers which may be vested in him by the Law for the time being in force the Registrar of Land Mortgage Banks will have power—

(1) to require the summoning of a General Meeting
(2) to be present at the proceedings of the General meeting as well as at the meetings of the Board of Management and the Board of Supervision; and

(3) to inspect the books and cash balance of the Bank at any time.

(4) to summon any member or office bearer of a Bank for the purpose of an enquiry into the affairs of the Bank. For this purpose he will act as a

~~39.~~ The previous sanction of the Government will be necessary for—

(1) the issue of debentures;

(2) the conversion of one class of debentures into another class bearing a different rate of interest or

(3) the investment of collections made out of loans given to Members in fresh loans to Members.

~~40. The Deputy Commissioner of the District will have in respect of the affairs of the Bank the powers vested in the *Registrar* in Clauses 2 and 3 of bye-law 38.~~

41. The accounts of the Bank shall be audited at least once a year by a duly certified auditor or by an officer deputed by the Mysore Government.

~~42.~~ All other matters concerning the organisation and the working of the Bank as well as the remuneration, if any, which the Board of Management, the Board of Supervision, the local agents and the auditors are to receive shall be fixed by Regulations to be framed by the ~~Bank~~.

The Regulations shall require the approval of the Government of Mysore.

~~43.~~ A Reserve Fund shall be formed by the Bank. To this shall be carried—

(1) a sum not less than 10 per cent of the net profits of every year;

(2) the interest on the capital of this fund;

(3) amounts not claimed; and

(4) produce of drawn and expired mortgage bonds.

(5) Any other fund which may be credited to the reserve fund by the general body of members.

## APPENDIX II.

### QUESTIONNAIRE FOR SIMPLE ECONOMIC ENQUIRY.

1. General.—
   1. Name of Village, Taluk, District.
   2. General Geographical position (in relation to roads, railways, forests, rive hills, markets, etc
   3. Area of village site.
   4. Localisation of castes.
   5. Types of dwelling houses—thatched, tiled, terraced, etc.
   6. Gardens, manure pits and the like, adjoining houses.
   7. Water facilities.
   8. Distance of cultivated lands.
   9. Housing conditions—overcrowded, insanitary, badly situated or kept, etc.
   10. Nature of holdings—small or large, compact or scattered.
   11. Any special facilities for travellers, *e. g.*, hotels, musafirkhanas, etc.

2. Population.—
   1. Total population.
   2. Castes. how many families and individuals.
   3. Number of children in families, how many dead and living, any spec illness accounting for large infant mortality.
   4. Number of houses.
   5. Census of ages (with intervals of 5 or 10 years).
   6. Births and deaths during the past 12 months—anything striking about the cause of death.
   7. Total number of men, women and children.
   8. Any noticeable movement of people from or to the village.

3. Land.—
   1. Area of wet lands.
   2. ,, of dry lands.
   3. ,, of garden lands.
   4. ,, Gomal.
   5. Other Facilities for cattle, goats, etc.
   6. Jungles and Forests.
   7. Tanks, wells and other sources of water supply.

4. Occupation of land.—
   1. Area cultivated by owner.
   2. Area cultivated by tenants.
   3. Number of cultivating owners.
   4. Number of Tenants.
   5. Number of non-cultivating owners and their occupation.
   6. Number of tenants owning no land.
   7. Average area of land cultivated by owners.
   8. Average area of land cultivated by tenants.
   9. Rents in money and kind.
   10. Land revenue on different kinds of lands.
   11. Occupation with which agriculture is combined.

5. Agricultural conditions.—
   1. Area under the principal crops
   2. Area yielding one crop, area yielding more than one.
   3. Usual crops cultivated on wet, dry and garden lands.
   4. Types of plough, and agricultural implements used.
   5. Water lifts, oil engines, manures and other aids to good agriculture.
   6. Extent of help derived from Takavi loans, Co-operative Societies, etc.

BANGALORE
23rd November, 1927.

Dear Mr. Chandy,

I enclose for your kind perusal a few notes on some of the bye-laws framed by the Land Mortgage Committee for the establishment of District Land Mortgage Banks. These notes in some parts cover the same ground as are traversed by the Committee in their preliminary observations contained in their report. However, I have allowed my notes to stand as they are having been written independently after the bye-laws were perused by me but before I read the preliminary observations referred to above. I am glad to say that my notes confirm most of these observations largely. In some places, however, my notes may be taken as an expansion or improvement of the draft bye-laws.

I may briefly state my conclusions at which I have arrive after perusal of the Land Mortgage Committee's report and after considering our environments in Mysore:

1. At the outset it is desirable to start a Central Land Mortgage Bank at Bangalore instead of a bank in a number of centres. By doing so we shall avoid competition for funds on the part of a number of banks simultaneously and the possibility of increase in the rates of interest. It is easier to obtain a larger number of share-holders at Bangalore than in other places as I can say from my own knowledge that there are several people seeking safe investments and who are content with fair rates of interest. The major portion of Directors to form an efficient Board of Management can be more readily found at a central place like Bangalore than in other places.

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2. This central Land Mortgage Bank can be registered under the Co-operative Societies' Regulation as I have already said on another occasion. The provisions of the Regulation being elastic and as they give considerable power to Government to grant exemptions or allow modifications it will be an advantage to bring it under the Co-operative Regulation. It is even possible to appoint an independent Registrar as the report of the Committee proposes, under whose directions this Bank may work. He need not be an officer exclusively appointed for this purpose. For the purposes of Land Mortgage Bank the Revenue Commissioner or the Deputy Commissioners of the districts may be invested with the powers of the Registrar for a limited period if necessary. The Co-operative staff is not adequate for inspection of the existing societies nor are several of them sufficiently trained for the purpose. It is better that the Land Mortgage Bank is placed under non-official supervision from the very start. The Co-operative Committee of Madras in its examination of witnesses has elicited the fact that there are many shortcomings which have become associated with the existing Co-operative Societies and that the Department also has acquired some traditions of its own. I am strongly of opinion that the Land Mortgage Bank should be started independently of all such traditions and that the defects which have come to light in Madras and to which our societies here also are not strangers, should be avoided.

In your scheme, you refer to this idea. RB

At one time I suggested that the agency of the Co-operativ Apex Bank may be utilized for financing the Land Mortgage Bank also, and with that view I proposed certain amendments to the bye-laws of the Apex Bank. At the last annual meeting held two months ago I ceased to be the President of the Bank

and the amendments proposed were also not taken up for want of time and for some other reasons also. It is not likely now that these amendments will be adopted. For all these reasons I am now of opinion that it is preferable to start the Central Land Mortgage Bank independently.

3. As regards funds, they may come mainly from three sources. (a) Shares, (b) Deposits, (c) Debentures. My notes will explain my views on these matters which after all materially coincide with those of the Committee.

4. As regards the first operations of the Bank I would, to start with, confine them to the eight district head quarters talûks and to any specially selected taluks that the Government may include. A narrow area like the one I have suggested in each district will enable the Board of Management to study the indebtedness of the agriculturists and to group the villages in which they are resident, conveniently for purposes of granting loans. This method will also help us to enlist the support of the existing money-lenders in these areas and to induce them to accept the debentures in place of the Mortgage bonds they now hold. This will be a matter of struggle in the beginning but when once the money-lenders realise the facilities created for the recovery of their money I am of opinion that the acceptance by the money lenders of the debentures will gradually increase in volume. Otherwise it is a herculian task to find at once or in a reasonable number of years very large sums of money to clear all the existing liabilities on the lands even in the selected areas, not to speak of the herculian task that confronts the Land Mortgage Bank if it undertakes to extend its operations at once to the whole of the State. The Mysore Bank and perhaps the Imperial Bank

also will find it easier to deal with one central association restricting its operations, to start with, in the manner suggested, to small areas.

There are a few other points also contained in my notes which need not be mentioned here. If you are calling a meeting of the Land Mrtgage Committee all the points mentioned by me may be discussed. In any case the economic position of the agriculturists calls for very early measures of relief.

Yours sincerely,

M. Shamba Rao.

K.Chandy, Esq., B.A.,
First Member of Council,
BANGALORE

## LAND MORTGAGE BANK

Name

1. To start with, it is a question whether a beginning should be made with a District Land Bank or a Central Land Bank at Bangalore. The latter alternative seems to be preferable till the working of a Land Mortgage Bank is well understood by those for whose benefit it is intended and by the general public also. In the early years of the Co-operative movement efforts were made to start rural Co-operative societies first and then gradually rise up to a central financial institution. After a short experience it was found that isolated rural societies were unable to function properly (1) firstly for lack of sufficient capital, (2) secondly for lack of sufficient human material to manage the society and (3) thirdly for lack of propogandist activities which are essential when any movement which tends to benefit the masses of the people is initiated and when those charged with the introduction of the movement were themselves lacking in knowledge of the technique of the movement as well as of the environments in which it had to be introduced. The Co-operative movement has no doubt spread to some extent among the people. But the main idea associated with such institutions is generally that of credit and a credit society rural or otherwise is only a money lending institution where the borrowers and lenders strive to bargain for their own benefit. A very large part of the people whether living at taluk headquarters or in villages are still illiterate and mainly depend upon the information and good will of their near neighbours who, most of them, unfortunately take advantage of the ignorance of those whom they are required to advise

and in giving advice have often an eye to their own profit.

In the next place in rural parts people having surplus money prefer lending on their account to investing the funds at their disposal in a corporate institution and being satisfied with smaller rates of interest. A man with money often takes to money lending because it gives him occupation for his idle hours as he is not able to engage himself in any attractive industrial concerns and as he cannot find sufficient scope for his intelligence and energy in agricultural pursuits. Such people will not join a corporate institution unless they are compelled by force of circumstances to do so. The full amount of required capital for a District Bank or for its branches, if any, will not be readily forthcoming from the people living in any particular district. Capitalists outside the district also will have to be approached for more funds even where it has been possible to make a start with the local money. In such a case where no central organization has been established it is possible that the district banks may compete with each other by offering higher rates of interest or higher rates of dividends to depositers and share holders to attract outside capital. Such a contingency should at all times be deprecated. On the whole the establishment of a central institution at Bangalore seems to be a wiser alternative. This institution will infuse more confidence among the investors than a District Bank will be able to do.

In large centres like Bangalore and Mysore there are people who are anxious for safe investment and who will be ready to take advantage of a place of investment like a Central Land Mortgage Bank. After some time the question of opening branches at district head quarters and of esta-

blishing smaller Land Mortgage Banks in suitable places either as independent units or as sub-branches of the district banks may be considered.

2.

Objects 3. This restriction is necessary.

Loans 4. Loans required to be given for redemption of mortgage, improvement of land or of methods of cultivation. Does the expression improvement of the methods of cultivation include only loans for improved ploughs, better seeds, better cattle, better irrigation, etc.? What is the ryot to do when he wants the loan for what are generally called unproductive expenditure such as marriage? Is he to borrow for such purposes from other persons or bodies? Can the Land Mortgage Bank finance co-operative societies for such purposes also?

5.

Shares 6. Rs. 25/- per share all round needs reconsideration. A Central Land Mortgage Bank situated in a place like Bangalore can attract members who can take shares of larger value than Rs. 25/-. To secure the interests of depositors is it not desirable that the share holders should be generally persons of greater solvency than can be found in smaller places? It is not necessary that the whole of the share amount should be paid at once; on the other hand there should be a reserve liability to safeguard the interests of depositors. Smaller share holders, it will be found, are more a drag on the institution than real helpers. There will be no hardship in raising the value of each share say to Rs. 100/- especially when no loans below Rs. 500/- can be granted to individual members.

bership 7. Is it desirable to throw open membership to anybody and everybody who can take a share of Rs. 25/-? "To several such persons jointly" membership open: are these words inserted in order to include joint families and those owning lands jointly without recognized formal partition? "Co-operative institution formed for long credit": what is the object of this restriction? May such societies have other objects also? Are persons who do not own lands allowed to become members? Is a Land Mortgage Bank to be considered primarily as an association of borrowers or as an association of investors?

8. In a Central Land Mortgage Bank restrictions to Rs. 2,500/- in value of shares needs to be relaxed. Perhaps the restriction may be placed at Rs. 5,000/-. It is undesirable to have a large number of small share holders who give no stability to the Bank and yet are armed with a vote. Each share may carry a vote and the maximum number of votes that a share holder can have may also be fixed. The danger with borrowing members possessing votes is that they prefer using the vote in favour of obtaining delays in payment or in favour of the revision of terms under which loans have been given. In the case of smaller borrowers this danger more or less is always present. As far as possible bigger borrowers for the present obtaining loans of Rs. 500/- and upwards may be served by the Bank direct. Smaller borrowers living in a prescribed area fairly near to one another may be clubbed together into a co-operative society and the loans they require may be granted through such societies.

thdrawal Shares 9. The restriction regarding withdrawal may be retained; but the shares must be made transferable to persons to whose

admission the Bank has no objection or to those who are already members.

Yes - there is provision.

Funds 9. In the earlier years of the Bank's life this restriction may prove embarrasing. After all the liabilities should depend more for security on land mortgage loans granted than mainly on shares. Perhaps it would be better to modify as follows:

The liability not to exceed ten times the share capital plus reserve fund plus an amount not exceeding 50% of the loans advanced on land mortgages at any one time or such other proportion as may from time to time be approved by Government.

No - and for the present.

Deposits 10. Is it desirable to fix the rate of interest at 6½ % rigidly in the bye-laws? May we not say "Generally 6½ %" or qualify by the words "unless very strong reasons exist for offering a higher rate for temporary periods not exceeding one year"? There appears to be no harm in accepting current deposits also which of course will not be used for advancing long term loans. Current deposit amount will be useful for short term credits such as may be required for maintenance, for purchase of fodder, etc. through co-operative societies till the next harvest. Short term deposits will popularize the Bank also.

No -

Limit of loans 12. Rs 20,000/-. Does this mean 'at one time' or in the aggregate? If it means in the aggregate it may possibly exclude members from newly joining. Such members there will always be. Again in the case of individual borrowers subsequent loans may be for shorter sums than Rs 500/- provided that the undischarged first and subsequent loan or loans amount to Rs 500/- or more and provided also that the maximum of Rs 20,000/- is not exceeded, if the idea is to fix a maximum

Agreed. May be kept as it is but to be borne in mind.

No.

limit of loan to a co-operative society.

Repayments 13-14 15. It is supposed that it should be optional with the borrower either to pay the principal by equal yearly instalments and the interest due from time to time on the balance of the principal or by equated payments including both principal and interest. This will be made clear if the wording is changed as follows:- "The loan and the interest, due may also be discharged, if so preferred, by a system of equated payments.

Security for Loans 16. Why not out of long term deposits also? As experience has shown that a large number of such deposits are generally renewed and that no embarrasment has been caused by doing so as gathered from the experience derived from the working of co-operative societies. "Immovable Properties." Is it to be taken as meaning lands under cultivation or is it to include houses also? The houses if taken should only be accepted as collateral securities for small amounts as houses in rural parts are of limited value.

17. A universal rule restricting loans to 50% of the value of th land is open to some objection. In the malnad this restriction may be accepted in the case of dry lands. Some latitude is necessary in the case of wet and garden lands especially where land value has been showing tendency of rising and where the part is thickly populated.

18a 2nd para: How are subsequent mortgages to be considered invalid? Is the law to be amended and is it necessary to do so? subsequent mortgages(where bonafides) can only take place when the subsequent mortgagee considers that there is a sufficient margin in the value of the land to bear the burden of a subsequent mortgage. In such a case is it not de-

sirable for the Land Bank itself to consider the application and reject if not satisfactory instead of a rigid rule not to entertain any such applications? Subsequent mortgagors may also be created nominally by female holders of land to bar the claims of the heirs of husbands or reversioners. The best course appears to be that if the borrower creates a subsequent mortgage not in favour of the Bank but in favour of others the Bank may recall the loan given by it. It must be said however that the bar to create subsequent mortgages will afford efficient protection to the Bank.

19. Supposing the debt is not recovered within 20 years what is to happen afterwards? Is the balance to be written off or recovered even after the land is restored to the mortgagor? Is it not better to say 'till the debt is entirely discharged'? In practice it will be found somewhat impracticable for the Bank to take possession of hypothecated properties and manage them especially when such properties are in small bits or in isolated tracts.

20-26. - - - - - - - -

27. When option is taken to redeem debentures is it not better that this option should only be excercised after a fixed period (say about 5 or 10 years) from the date of issue of debentures has elapsed? Otherwise those that invest in debentures will be placed in uncertainty and prefer surer investments. Some means should also be found to make debentures negotiable by Government accepting them for investing insurance, muzrai and other funds remaining with them and which are now being invested in other securities. The Government may also authorise the University, District Boards

and Municipalities to invest their surplus or endowment funds in these debentures. The Government may also guarantee interest up to 5 % on the debentures issued for a period of 10 years to come. It is also necessary that in the early years, say, for the next five years or so Government should express willingness to invest a sum of not less than Rs. 5 lakhs in these debentures on its own account. The Madras Government has expressed willingness to take half the number of debentures. The Bombay Government has also expressed its help in the matter. The Secretary of State has guaranteed interest at 4 % per annum on debentures issued by the Bombay Central Co-operative Bank. Unless the Government lends substantial material and moral support and fosters the Land Bank in its early years public confidence will not spring up and when once the public confidence is secured the Government may gradually withdraw or place itself on a level with the private holders of such debentures. It is also desirable that when debentures are issued preference should be allowed to the existing mortgagees to purchase them as in such cases no cash payment will be required but only a change from a mrotgage deed to a debenture bond.

Trustee 28. It is a wholesome provision but in the earlier years the trustee should content himself with excercising vigilance so that the interests of the debenture holders are not in any way prejudiced by mistakes made by the Board of Directors. The interests of depositors also require safeguarding as the interests of debenture holders. This is a point also for consideration.

29-30 - - - - - - - - - -

General Body 31. In the case of returns to be furnished to Government is the

67

General Body to have a voice? The wording as it stands seems to give the General Body the final voice. What is intended probably is that the General Body can make a representation to Government which they can do even without express provision. It is better to add these words:-

I agree ✓

"Subject to the ~~general~~ general control of Government and of the Registrar of Land Mortgage Banks the ultimate authority..... members who shall meet at least once a year at a meeting which shall be called the Annual General Meeting.

32. The phraseology may thus be improved:

The meeting of the General Body may be convened at other times also by the Board of Directors on their own initiative and shall be so convened at the request of fifteen or more members or at the instance of the Registrar. (If the meeting is not called within a time fixed by the Registrar, the Registrar to have power to call the meeting himself and ordering the charges to be borne by the Bank. There should be provision also made for taking votes, for adjournments, quorum, for dissolution when quorum is not present, for interpretation of bye-laws when doubts arise, for arbitration and settlement of disputes, etc. The rules framed by Government for co-operative societies will perhaps be applicable to Land Mortgage Banks also if the latter are registered under the Co-operative Societies' Regulation.)

this will have to come in the L.M.B. rules

33. The members..... debenture holders and <u>depositors</u> ..... <u>depositors</u> and others.

No ✓

Board of Management 34. In the first instance the members of the Board of Directors and the Board of Supervision may be appointed by Government and hold office for <u>three</u> years the period being two years

work accepted ✓

thereafter. In the beginning a year more is necessary as the work of starting and consolidation will occupy nearly two years of the first Directors and they should have a year more to satisfy themselves that the Bank is placed on a proper working basis. The Board of Supervision, it is desirable should come into existence at a later period after the need is felt. To have two bodies immediately at work will introduce complications and may not tend to the smoothness of proceedings. In the earlier years the Registrar of Land Banks may have all the powers proposed to be entrusted to the Board of Supervision with power to levy any charges incurred by him.

There is no mention as to there being a President of the Board of Directors and of the Board of Supervision. The first presidents should be appointed by Government and thereafter may be elected at the Annual General Meeting subject to confirmation by Government.

35-37 - - - - - - - - - - - - - - -

38. (4) Better to add "other person" after "member or office bearer". For this purpose as well as for the settlement of disputes he will act as a court.

39. - - - - - - - - - - -

40. Add after 'Deputy Commissioner', 'or an officer authorised by him'.

41. - - - - - - - - - - - - - - - -

42. 'To be framed by the Bank'. Does it mean that the salaries to be paid etc. are to be fixed at the General Meeting? This is not desirable. The Board of Directors should have ample powers in the earlier stages especially during the

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first three years. The General Body of members, consisting as it will, of miscellaneous persons, are very often not in a position to guage or appreciate the needs of particular situations. Perhaps it is desirable to omit this clause for the present.

Yes.

Dy. No. 8342
Cur Le

25th January 1928.

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Dear Sir,

I am directed to forward herewith, for favour of your opinion, a draft order regarding the formation of a Land Mortgage Bank in the State as also a set of draft bye-laws for such an institution. To facilitate reference, I am sending also a collection of papers as noted in the margin. If it will not be inconveniencing you too much, I shall be glad to see you at any time/to give further details you may wish to obtain on hearing from you when and where I may call on you.

1. Report of the Committee appointed to go into the question of the formation of Land Mortgage Banks in Mysore.
2. Govt. Order dated the 11th October 1926 on the report of the Malnad Improvement Committee of 1925.
3. Report on Economic Conditions in the Malnad by Prof. S. Kesava Iyengar, M.A.

that may suit you
any

Yours sincerely,

RB
25/1/28

The Agent,
Imperial Bank of India,
Bangalore.

# Imperial Bank of India,

Fin 6683

No. 7

ALL LETTERS TO BE ADDRESSED TO
THE AGENT.
TELEGRAPHIC ADDRESS,
"THISTLE."

Bangalore, 14th February 1928

15/2/28

Dear Mr. Ranga Rao,

For processing

Rec'd to your confidential D. O. No. G.8342 of the 25th January. I have been so pressed with other very urgent work that I have not been able to give the contents of your letter and enclosures my attention until now. I am instituting certain enquiries, replies to which I expect either at the end of this week or early next when I will telephone you and arrange a time for me to come and see you.

Gen. Leg. 15/2

I am also asking our Colombo Branch if they could let me know what progress the Government Ceylon have made with regard to the Land Mortgage Bank they proposed to start in Ceylon and any details they could give me regarding the lines on which they proposed to work. Our Colombo ~~Branch~~ agent has, I believe, been in close touch with the Government of Ceylon on the matter, and if not already known to you the details of the proposed Land Mortgage Bank to be started by the Ceylon Government might be of interest to you. This reply might be delayed and I do not propose to wait for it before seeing you, but will arrange to do so as soon as my other enquiries have been received.

Yours sincerely,

G. W. Cole. M.B.E

GWCole

F/10826/ 21.3.28. Dear Mr. Cole,

am desirous to

I ~~write~~ to convey to you the thanks of Post for the great help you have rendered them with your advice & suggestions in connection with their scheme of about the Education

I am Dear Mr. Cole Yours Sincerely Ranjit Narayan Banerjee

The Post Master General is exceedingly grateful to you to have given them so much time & trouble.

Yours &c.

RB
15/3/28.

Mr (under to Post)

C. W. Cole Esq M.B.E.
Agent.
Imperial Bank
Bhore

10 Copies

PROCEEDINGS OF THE GOVERNMENT OF H.H.
THE MAHARAJA OF MYSORE.

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Read 9/4 U. 15 Jan 30-26-7

Read:-

Government Order No. C.1-50/Sany. 17-26-1 dated the 11th October 1926 passing orders on the recommendations of the Malnad Improvement Committee of 1925.

2. Government Order No.G.10603-4/Sany 30-26-5 dated the 30th March 1927 sanctioning the appointment of a Committee for considering the question of establishing a Central Land Mortgage Bank at Bangalore and the assistance to be given to it by Government.

3. Letter No. G.3436, dated the 24th September 1927, from the Secretary, Land Mortgage Bank Committee, enclosing a note embodying the opinion of the Committee on the question.

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Order No. No. G 11438-44

Dated Bangalore, 10th April 1928

The problem of agricultural indebtedness, especially in the Malnad parts of the State, has been engaging the attention of Government for some time past. The Malnad Improvement Committee of 1925 recommended the establishment of Land Mortgage Banks in the Malnad as the most promising means of improving the economic conditions of the area in question. In passing orders on the report of the Committee, Government indicated their intention of establishing a Land Mortgage Bank in each of the Malnad Districts of Shimoga, Kadur and Hassan. It was subsequently brought to the notice

of Government that a Central Bank at Bangalore with local branches, would better meet the needs of land mortgage credit and would ensure sound management and adequacy of funds.

2. In March 1927, Government appointed a Committee consisting of the marginally noted gentlemen as members, with Rajasabhabhushana K. Chandy, First Member of Council, as Chairman, to examine this suggestion. The Committee were also requested to consider the nature and extent of the assistance to be given by Government to the Land Mortgage Institution.

1. Mr. P.G.D'Souza, B.A., B.L.,
2. " N. Madhava Rao, B.A., B.L.,
3. " N.S. Subba Rao, M.A., Bar-at-Law.
4. " P.W. O'Brien,
5. " Rao Bahadur N.S. Nanjundiah.
6. " N. Rama Rao, B.A., B.L.,
7. " R. Ranga Rao, B.A., B.L.,

3. The Committee have submitted their considered views on these questions. They are of opinion that it is desirable to entrust the work of providing long term credit to a Central Institution having jurisdiction over the whole State. They consider that, for the present, the operation of the Bank may be confined to one taluk in each of the Malnad Districts and to one taluk in a Maidan District, but that, later on, the Bank may extend its operations to other parts of the State as far as its funds may permit. The Committee recommend that instead of forming an independent institution for Land Mortgage work, the Mysore Provincial Co-operative Bank may be entrusted with the work. Lastly the Committee have indicated the main particulars in respect f which Government assistance may be iven to the institution.

4. Government are of opinion that the

Land Mortgage Bank should be a Provincial institution independent of the Provincial or any other Co-operative Banking Institution. There is, however, no objection to financial relations being established between the Land Mortgage Bank on the one side and the Provincial Co-operative Bank or the Mysore Bank on the other. In fact, Government deem it very desirable that such relations should be established and they propose to consider the matter further in consultation with the authorities of these institutions. The operations of the Bank, will, as suggested by the Committee, be limited for the present to the Sagar Taluk in the Shimoga District, Koppa Taluk in the Kadur District, Manjarabad Taluk in the Hassan District and Tumkur Taluk in the Tumkur District.

5. The Bank will have a share capital of five lakhs of rupees and will be permitted to issue debentures up to Rs.20 lakhs. Government will guarantee interest on all the 20 lakhs of rupees of debenture at a rate not exceeding 5 per cent. No debentures will be issued by the Bank without the previous sanction of Government. Government will, if necessary, be prepared to invest in the Bank an aggregate sum of 5 lakhs of rupees. This investment will for the first two years be at the rate of one lakh of rupees and the balance of three lakhs will be invested in amounts equivalent to the amount raised by the Bank from the public in any

particular year.

6. The work of the Bank in local area will be carried on through local Land Mortgage institutions to be specially formed for the purpose of serving as loc agents of the Bank. It will be their function to receive loan applications in the first instance and to examine the adequacy of the securities offered befor forwarding the applications to the Bank. These local associations will be permitted to give short term loans out of such funds as they may possess or as may be placed at their disposal by the Land Mortgage Bank from time to time, for this purpose. In exceptional cases, where the formation of a local institution is difficult, the Bank may deal with individual borrowers provided the amount of the loan applied for is not less than Rs.2,000/-.

7. The duties of general supervision and control over the operations of the Bank will be entrusted to an Officer called the Director of Land Mortgage Banks. This Officer should take the necessary preliminary action for consti tuting the Bank.

8. The concessions now sanctioned to Co-operative Societies in the matter of exemption from payment of Stamp Duty, Registration and other fees, will be extended to the documents executed by or on behalf of the Bank.

9. The bye-laws of the proposed Land Mortgage Bank sent by the Committee are approved by Government with certain changes and are annexed to this Order. The main point in respect of which the Bye-laws have been changed is in the matter of the revaluation of the property mortgaged so as to permit, whenever necessary, of additional security being taken or mortgaged security in excess of what is needed being released. It is also desirable to give the bank the powe of revaluation at any time if it thinks that the security on which a loan is mad has deteriorated in value or it otherwis unsatisfactory.

10. Government observe that amendments to certain legal enactments will be neces sary before the bye-laws could be brought into operation. They are pleased to direct that necessary action should be taken in this behalf without delay in the Legislative Department.

11. Separate orders will issue about the appointment of the Director of Land Mortgage Banks.

12. Government desire to convey their thanks to the Chairman and Members of the Land Mortgage Bank Committee for the care they have bestowed upon the consideration of the questions referred to them and for the valuable suggestions which they have

nished.

VR

RG
13/3/28

General Secretary to Government.

To

To

The Revenue Commissioner in Mysore.
The Secretaries to Government.
The Deputy Commissioners of Districts.
The Comptroller to Government, through Finl. Sectt
The Secretarary, Land Mortgage Committeeer in Mysore.
Press Table

The Comptroller to Government,

thro' Finl. Sectt.

Copy & Law Letter.

JM
19/3/28

CP/15-3.

DRAFT BYE-LAWS

for the

MYSORE LAND MORTGAGE BANK.

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THE MYSORE LAND MORTGAGE BANK.

Bye-laws.

1. This Bank shall be called the Mysore Land Mortgage Bank.

2. The Office of the Bank shall be situated at Bangalore.

3. The object of the Bank is to grant loans to bona fide land owning members.

4. Loans may be given by the Bank only for the following purposes:-

(a) Redemption of mortgage.

(b) Improvement of land or of methods of cultivation.

(c) Current agricultural operations.

5. The liability of a member of the Bank shall be limited to the value of the shares held by him in the Bank.

6. There shall be 10,000 shares of the value of Rs. 50/- each.

7. Membership of the Bank is open to every subject of His Highness the Maharaja who has attained the age of majority and is legally capable of entering into a contract, to several such persons jointly and to every institution formed for long term credit and registered under such laws, if any, as may be framed for the purpose. Notwithstanding

80

anything contained above, nominees or legal representatives of deceased members may be admitted as members although such nominees or legal representatives are minors.

8. Every member of the Bank should -- take at least one share.

9. Shares are not withdrawable or - - transferable except with the sanction of -- the Bank provided that no member will be - permitted to withdraw his shares within 10 years of the date on which such shares are taken by him and provided also that not - - more than 10 per cent of the aggregate - - share capital of the Bank at the beginning of a year is allowed to be withdrawn in any year.

10. The funds of the Bank shall include share capital, loans raised by debentures, - deposits, grants and other miscellaneous - - items; but at no time shall the liabilities of the Bank exceed ten times the subscribed share capital plus reserve fund.

11. The Board of Directors may receive ieposits at their discretion either from members or others and it shall be open to them to settle the terms on which deposits shall oe taken provided that the interest on such deposits shall not, in any case, exceed $6\frac{1}{2}$ per cent per annum and provided also that no deposit shall be received for a period of -- less than two years.

at liberty to pay larger sums according to - his convenience.

16. Loans shall be granted by the Bank only on the mortgage of immovable property - except in the case of short term loans which may on suitable security be granted for working expenses to members who have taken long term loans.

17. For the present, the lending operations of the Bank shall be confined to the taluks of Tumkur, Sagar, Koppa and Manjarabad.

18. The capital raised by debentures -- shall be invested on long term loans, short term loans, if any, being given out of shares and deposits.

19. Long term loans granted by the Bank shall not exceed 50 per cent of the value of the property which is mortgaged to the Bank on account of those loans, provided that in case the loan$ is to be applied for the improvement of land the amount of loan may go up to 60 per cent.

20. The land mortgaged to the Bank as - security under Bye-law 19, shall have no - - prior encumbrances, save the mortgage or - - mortgages to be redeemed by the loan given - by the Bank. Further, it shall not be liable to any subsequent encumbrances either by way of further mortgages, sale, gift or other-

wise to any one except the Bank and except -- with the previous sanction of the Board of -- Directors, and any encumbrance ~~made~~ created in contravention of this bye-law shall be invalid.

21. The mortgage shall be without possession, subject to the condition that if the -- mortgagor fails to pay principal and interest according to his contract, the Bank shall be entitled to take possession of the land for such term not exceeding twenty-five years as the Board of Directors may consider equitable. During possession, the Bank may manage the -- property or cause the property to be managed on their behalf, and after deducting expenses, use the proceeds towards redemption of the -- debt.

22. The valuation of the properties offered as security for loans shall be made by the Bank in accordance with subsidiary rules to be framed in that behalf.

23. Loans are liable to be recalled -

(i) if after the grant of a loan, the information obtained regarding the property, -- the charges thereon or the rights of disposal thereof, is found to be incorrect,

(ii) if a loan is utilised for a purpose different from that for which it was granted,

(iii) if the property on which it is se- - cured has, in the opinion of the Bank, deteriorated in value and the borrower fails to furnish additional security to the satisfaction

of the Bank;

(iv) if on the death of the borrower or - in the case of joint debtors, on the death of any one of them, his legal representative - - does not consent to continue as a member;

(v) if for any other reason, the debtor or in the case of joint debtors any one of -- them ceases to be a member; and

(vi) if the debtor commits default in -- the payment of any instalment on the due date

24. If in any case not expressly provided for above, the Board of Directors consider that a debt is in danger, they shall recall the loan with the approval of the Director of Land Mortgage Banks.

25. When a loan recalled by the Board of Directors is not repaid within three months - from the date of recall, the Board shall apply for a foreclosure of the mortgage to the Director of Land Mortgage Banks who, after notice to the defaulting debtor and necessary enquiry, will have power to order such foreclosure. The Director may order destraint of movables in -- the case of short term loans. These orders - shall have the same effect and shall be executed in the same manner as if passed by a competent Civil Court.

26. Subject to Bye-law 10 and subject to the condition that the total loan raised does not exceed 20 lakhs of rupees, the Bank may - raise loans from time to time by the issue of de-

benture bonds bearing interest not exceeding 5 per cent per annum and liable to be redeemed within such period not exceeding 30 years as may be prescribed by the Bank.

27. Debenture bonds shall not be issued except with the previous sanction of the Government and they shall be in such form and contain such covenants and provisions as the Bank, may, with the previous sanction of Government, prescribe in this behalf.

28. The Bank shall draw for redemption by lot as many debenture bonds as its financial condition permits, or if the Bank deems it preferable, it may repurchase its bonds instead of drawing them by lot provided that the Bank shall not redeem or repurchase any debenture bond issued by the said Bank, within a period of 10 years from the date of issue of the bond.

29. The Bank shall be at liberty to effect a reduction in the rate of interest payable on any series of debenture bonds provided that option is given to the holders of such bonds to accept payment in cash at par value.

30. Government shall have power at any time to order a revaluation of the properties mortgaged to the Bank in order to ensure that the properties so mortgaged have not deteriorated. When, as a result of such revaluation,

the security is found inadequate, the Bank -- shall have power to demand additional security from the party responsible, and, in the event of the security being found to be in excess - of what is required, the Bank may release a - part of the security already taken.

31. The Government shall appoint a trustee whose duty shall be to see that the Bank fulfils its obligations to the debenture- holders. For this purpose, the Bank shall transfer to the trustee its rights in the mortgages on the security of which debentures are issued. The trustee shall have power to require the -- Bank to credit to an account opened in his - - name, in such Bank as may be approved for the purpose by the Government, all recoveries made from members of the Bank under any of the mortgages whether through equated payments or on - redemption or upon sale under any power of - - sale applicable thereto. He shall also have the following powers:-

(i) to invest or to require the Bank to - invest the money at the credit of his account in his own name in any investment or deposit authorised - by Government by rules or laws - - framed on that behalf, or in any -- other securities approved by the - Director of Land Mortgage Banks -- and to vary such investments at -- his discretion;

(ii) to require the Bank to redeem any or all of the debentures according to

the rules relating to redemption;

(iii) to determine the method of redeeming any debentures before the expiry of the term for which they were issued; and

(iv) to proceed against the Bank or the mortgagors whose mortgage deeds have been transferred to him or against both, in case of default of payment of moneys due to the debenture-holders.

The trustee can, at any time, be replaced by another trustee. A trustee so appointed shall, as the successor in interest of the trustee whom he replaces, inherit all his powers and rights.

32. The administration of the Bank shall be vested in the following:-

(a) Board of Directors;

(b) Board of Supervision; and

(c) The General Body of the members of the Bank.

33. Subject to the general control of Government and of the Director of Land Mortgage Banks, the ultimate authority in all matters relating to the administration of the Bank shall be the general body of the members who shall meet from time to time and at least once a year to conduct the work of the Bank. The following among other matters shall be dealt with by the general body:-

(i) The election and removal of their representatives on the Board of Directors and the Board of Supervision.

(ii) The annual report due to the Director of Land Mortgage Banks.

(iii) The Director's annual audit order.

(iv) The amendment or repeal of any existing bye-laws or the enactment of a new bye-law.

(v) The expulsion of a member.

(vi) The consideration of any complaint -- which any individual member may -- prefer against the Board of Directors or the Board of Supervision.

34. A meeting of the general body of the members may be convened whenever necessary -- for the conduct of the business by the Board of Directors and shall be so convened by the Board of Directors at the request of 15 or -- more members or at the instance of the Director of Land Mortgage Banks.

35. The members of the Board of Directors and of the Board of Supervision will consist of members of the Bank and representatives of Debenture Holders provided that the Government of His Highness the Maharaja of Mysore shall - have the right to nominate one member to the Board of Supervision and one member to the -- Board of Directors, whether members of the --

Bank or representatives of Debenture Holders or others.

36. The Board of Directors shall consist of 7 members one of whom shall be the President holding office for a period of two years. Of the 7 members of the Board, 4 shall be - - elected by the members, 2 will be representatives of Debenture Holders selected by Government and one nominated by Government. The - first President as well as all the members of the first Board of Directors will be nominated by Government.

37. The Board of Supervision shall consist of the President of the Board of Directors and 4 members. Of these 4 members, 1 - shall be elected by the members, 2 will be -- the representatives of the Debenture Holders, selected by Government, and one will be nominated by the Government of Mysore, all the -- members holding office for a period of 2 years. The first Board of Supervision shall be formed two years after the opening of the Land Mortgage Bank, till when, the Director will exercise the powers of the Board of Supervision.

38. The Board of Directors shall administer and conduct the affairs of the Bank, prepare and issue agreements, declarations, etc., represent the Bank by one of its members selected for that purpose at all legal proceedings. It shall also appoint, control, and - dismiss officials like book-keepers, cashiers, clerks, local agents, etc.

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39. The Board of Supervision shall have general control and supervision over the affairs of the Bank. In particular it will -

(i) cause the accounts of the Bank to - be audited at least twice a year by two of its members;

(ii) present to the General Meeting a -- statement of accounts;

(iii) prepare all necessary subsidiary -- rules for the carrying out of - - these bye-laws;

(iv) settle the principles of land valuation;

(v) authorise the issue by the Board of Directors of debenture bonds; and

(vi) decide appeals against the decisions of the Board of Directors.

40. Without prejudice to the powers which may be vested in him by the law for the time - being in force, the Director of Land Mortgage - Banks will have power -

(a) to require the summoning of a General Meeting;

(b) to be present at the proceedings of - the General Meeting as well as at the meetings of the Board of Directors and the Board of Supervision;

(c) to inspect the books and cash balance of the Bank at any time; and

(d) to summon any member or office bearer of the Bank or other person for the purpose of an enquiry into the affairs of the Bank. For this purpose, as well as for the settlement of disputes, he will act as a Court.

41. The previous sanction of Government will be necessary for

(i) the issue of debentures;

(ii) the conversion of one class of debentures into another class bearing a different rate of interest or

(iii) for any other matters which the Government may desire that their previous sanction should be obtained.

42. The accounts of the Bank shall be audited at least once a year by a duly certified auditor or by an officer deputed by the Mysore Government.

43. All other matters concerning the organisation and the working of the Bank as well as the remuneration, if any, which the Board of Directors, the Board of Supervision, the local agents and the auditors are to receive shall be fixed by subsidiary instructions or regulations to be framed by the Board of Supervision and approved by Government.

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44. A Reserve Fund shall be formed by the Bank. To this shall be carried

(i) a sum not less than 10 per cent of -- the net profits of every year;

(ii) the interest on the capital of this fund;

(iii) amounts not claimed; and

(iv) produce of drawn and expired mortgage bonds.

(v) any other fund which may be credited to the reserve fund by the general body of members.

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-3-28.

S. O

# Government of His Highness the Maharaja of Mysore

## GENERAL AND REVENUE DEPARTMENTS.

**G. O. No. G. 11438-44—Sany. 30-26-7, dated 10th April 1928.**

**Central Land Mortgage Bank.**

Passes orders about the establishment of a ——— at Bangalore.

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READ—

Government Order No. C. 1-50—Sany. 17-26-1, dated the 11th October 1926, passing orders on the recommendations of the Malnad Improvement Committee of 1925.

2. Government Order No. G. 10603-4—Sany. 30-26-5, dated the 30th March 1927, sanctioning the appointment of a Committee for considering the question of establishing a Central Land Mortgage Bank at Bangalore, and the assistance to be given to it by Government.

3. Letter No. G. 3436, dated the 24th September 1927, from the Secretary, Land Mortgage Bank Committee, enclosing a note embodying the opinion of the Committee on the question.

ORDER No. G. 11438-44—SANY. 30-26-7, DATED 10TH APRIL 1928.

The problem of agricultural indebtedness, especially in the Malnad parts of the State, has been engaging the attention of Government for some time past. The Malnad Improvement Committee of 1925, recommended the establishment of Land Mortgage Banks in the Malnad as the most promising means of improving the economic conditions of the area in question. In passing orders on the report of the Committee, Government indicated their intention of establishing a Land Mortgage Bank in each of the Malnad Districts of Shimoga, Kadur and Hassan. It was subsequently brought to the notice of Government that a Central Bank at Bangalore with local branches, would better meet the needs of land mortgage credit and would ensure sound management and adequacy of funds.

2. In March 1927, Government appointed a Committee consisting of the marginally noted gentlemen as members, with Rajasabhabhushana K. Chandy, First Member of Council, as Chairman, to examine this suggestion. The Committee were also requested to consider the nature and extent of the assistance to be given by Government to the Land Mortgage Institution.

1. Mr. P. G. D'Souza, B.A., B.L.
2. ,, N. Madhava Rao, B.A., B.L.
3. ,, N. S. Subba Rao, M.A., Bar-at-law.
4. ,, P. W. O'Brien.
5. ,, Rao Bahadur N. S. Nanjundiah.
6. ,, N. Rama Rao, B.A., B.L.
7. ,, R. Ranga Rao, B.A., B.L.

3. The Committee have submitted their considered views on these questions. They are of opinion that it is desirable to entrust the work of providing long term credit to a Central Institution having jurisdiction over the whole State. They consider that, for the present, the operations of the Bank may be confined to one taluk in each of the Malnad Districts and to one taluk in a Maidan District, but that, later on, the Bank may extend its operations to other parts of the State as far as its funds may permit. The Committee recommend that instead of forming an independent institution for Land Mortgage work, the Mysore Provincial Co-operative Bank may be entrusted with the work. Lastly the Committee have indicated the main particulars in respect of which Government assistance may be given to the institution.

4. Government are of opinion that the Land Mortgage Bank should be a Provincial Institution independent of the Provincial or any other Co-operative Banking Institution. There is, however, no objection to financial relations being established between the Land Mortgage Bank on the one side and the Provincial Co-operative Bank of the Mysore Bank on the other. In fact, Government deem it very desirable that such relations should be established and they propose to consider the matter further in consultation with the authorities of these institutions. The operations of the Bank, will, as suggested by the Committee, be limited for the present to the Sagar Taluk in the Shimoga District, Koppa Taluk in the Kadur District, Manjarabad Taluk in the Hassan District, and Tumkur Taluk in the Tumkur District.

5. The Bank will have a share capital of five lakhs of rupees and will be permitted to issue debentures up to rupees twenty lakhs. Government will guarantee interest on all the debentures at a rate not exceeding five per cent. No debentures will be issued by the Bank without the previous sanction of Government. Government will if necessary, be prepared to invest in the Bank an aggregate sum of five lakhs of rupees. This investment will for the first two years be at the rate of one lakh of rupees and the balance of three lakhs will be invested in amounts equivalent to the amount raised by the Bank from the public in any particular year.

6. The work of the Bank in local areas will be carried on through local Land Mortgage Institutions to be specially formed for the purpose of serving as local agents of the Bank. It will be their function to receive loan applications in the first instance and to examine the adequacy of the securities offered before forwarding the applications to the Bank. These local associations will be permitted to give short term loans out of such funds as they may possess or as may be placed at their disposal by the Land Mortgage Bank from time to time, for this purpose. In exceptional cases, where the formation of a local institution is difficult, the Bank may deal with individual borrowers provided the amount of the loan applied for is not less than Rs. 2,000.

7. The duties of general supervision and control over the operations of the Bank will be entrusted to an officer called the Director of Land Mortgage Banks. This Officer should take the necessary preliminary action for constituting the Bank.

8. The concessions now sanctioned to Co-operative Societies in the matter of exemption from payment of Stamp Duty, Registration and other fees, will be extended to the documents executed by or on behalf of the Bank.

9. The Bye-laws of the proposed Land Mortgage Bank sent by the Committee are approved by Government with certain changes and are annexed to this Order. The main point in respect of which the Bye-laws have been changed is in the matter of the revaluation of the property mortgaged so as to permit, whenever necessary, of additional security being taken or mortgaged security in excess of what is needed being released. It is also desirable to give the Bank the power of revaluation at any time if it thinks that the security on which a loan is made has deteriorated in value or is otherwise unsatisfactory.

10. Government observe that amendments to certain legal enactments will be necessary before the Bye-laws could be brought into operation. They are pleased to direct that necessary action should be taken in this behalf without delay in the Legislative Department.

11. Separate orders will issue about the appointment of the Director of Land Mortgage Banks.

12. Government desire to convey their thanks to the Chairman and Members of the Land Mortgage Bank Committee for the care they have bestowed upon the consideration of the questions referred to them and for the valuable suggestions which they have furnished.

R. RANGA RAO,
*General Secretary to Government.*

To
The Deputy Commissioners of Districts.
The Comptroller to Government, through the Financial Secretariat.
The Secretary, Land Mortgage Bank Committee.
The Revenue Commissioner in Mysore.
The Secretaries to Government.
PRESS TABLE.

Exd.—P. S. R. N.

No. G. 11438-44—Sany. 30-26-7, dated 10th April 1928.

## ANNEXURE.

### BYE-LAWS FOR THE MYSORE LAND MORTGAGE BANK.

1 This Bank shall be called the Mysore Land Mortgage Bank.

2 The Office of the Bank shall be situated at Bangalore.

3 The object of the Bank is to grant loans to *bona fide* land owning members.

4 Loans may be given by the Bank only for the following purposes:—

(*a*) Redemption of mortgage.
(*b*) Improvement of land or of methods of cultivation.
(*c*) Current agricultural operations

5. The liability of a member of the Bank shall be limited to the value of the shares held by him in the Bank.

6. There shall be 10,000 shares of the value of Rs. 50 each.

7. Membership of the Bank is open to every subject of His Highness the Maharaja who has attained the age of majority and is legally capable of entering into a contract, to several such persons jointly and to every institution formed for long term credit and registered under such laws, if any, as may be framed for the purpose. Notwithstanding anything contained above, nominees or legal representatives of deceased members may be admitted as members although such nominees or legal representatives are minors.

8. Every member of the Bank should take at least one share.

9. Shares are not withdrawable or transferable except with the sanction of the Bank provided that no member will be permitted to withdraw his shares within ten years of the date on which such shares are taken by him and provided also that not more than ten per cent of the aggregate share capital of the Bank at the beginning of a year is allowed to be withdrawn in any year.

10. The funds of the Bank shall include share capital, loans raised by debentures, deposits, *grants* and *other miscellaneous items*; but at no time shall the liabilities of the Bank exceed ten times the subscribed share capital *plus* reserve fund.

11. The Board of Directors may receive deposits at their discretion either from members or others and it shall be open to them to settle the terms on which deposits shall be taken provided that the interest on such deposits shall not, in any case, exceed 6½ per cent per annum and provided also that no deposit shall be received for a period of less than two years.

12. Loans shall ordinarily be granted through local Land Mortgage Institutions specially formed for the purpose. In exceptional cases, the Bank may deal with individual borrowers. No loan shall be granted for an amount below Rs. 500 nor above Rs. 5,000 ordinarily provided that, where a loan is granted to a local Land Mortgage Institution, the amount of the loan may be Rs. 30,000. In the case of individuals borrowing direct from the Bank, the size of the loan shall not be less than Rs. 2,000.

13. Loans granted by the Bank shall bear interest at rates fixed from time to time but not exceeding:—

(*a*) a maximum of 8 per cent per annum, in the case of long term loans, and
(*b*) a maximum of 12 per cent on short term loans.

14. Long term loans granted by the Bank shall be repayable in equal yearly instalments which shall be not less than 25 and not more than 30 and shall not be liable to be recalled except under conditions specified in Bye-laws 23 and 24. Nothing in this Bye-law shall be considered to preclude the borrower from repaying his loan wholly or in part at any earlier time.

15. Long term loans and the interest due thereon shall be discharged by a system of equated payments, but the borrower will be at liberty to pay larger sums according to his convenience.

16. Loans shall be granted by the Bank only on the mortgage of immovable property except in the case of short term loans which may on suitable security be granted for working expenses to members who have taken long term loans

17. For the present, the lending operations of the Bank shall be confined to the taluks of Tumkur, Sagar, Koppa and Manjarabad.

18. The capital raised by debentures shall be invested on long term loans, short term loans, if any, being given out of shares and deposits

19. Long term loans granted by the Bank shall not exceed 50 per cent of the value of the property which is mortgaged to the Bank on account of those loans, provided that in case the loan is to be applied for the improvement of land, the amount of loan may go up to 60 per cent.

20. The land mortgaged to the Bank as security under Bye-law 19 shall have no prior encumbrances, save the mortgage or mortgages to be redeemed by the loan given by the Bank. Further, it shall not be liable to any subsequent encumbrances either by way of further mortgages, sale, gift or otherwise to any one except the Bank and except with the previous sanction of the Board of Directors. and any encumbrance created in contravention of this Bye-law shall be invalid.

21. The mortgage shall be without possession, subject to the condition that if the mortgagor fails to pay principal and interest according to his contract, the Bank shall be entitled to take possession of the land for such term not exceeding twenty-five years as the Board of Directors may consider equitable. During possession, the Bank may manage the property or cause the property to be managed on their behalf, and after deducting expenses, use the proceeds towards redemption of the debt

22. The valuation of the properties offered as security for loans shall be made by the Bank in accordance with subsidiary rules to be framed in that behalf.

23. Loans are liable to be recalled:

(i) if after the grant of a loan, the information obtained regarding the property, the charges thereon or the rights of disposal thereof, is found to be incorrect;

(ii) if a loan is utilised for a purpose different from that for which it was granted;

(iii) if the property on which it is secured has, in the opinion of the Bank, deteriorated in value and the borrower fails to furnish additional security to the satisfaction of the Bank;

(iv) if on the death of the borrower or in the case of joint debtors, on the death of any one of them, his legal representative does not consent to continue as a member;

(v) if for any other reason, the debtor or in the case of joint debtors, any one of them ceases to be a member; and

(vi) if the debtor commits default in the payment of any instalment, on the due date

24. If, in any case not expressly provided for above, the Board of Directors consider that a debt is in danger, they shall recall the loan with the approval of the Director of Land Mortgage Banks.

25. When a loan recalled by the Board of Directors is not repaid within three months from the date of recall, the Board shall apply for a foreclosure of the mortgage to the Director of Land Mortgage Banks who, after notice to the defaulting debtor and necessary enquiry, will have power to order such foreclosure. The Director may order distraint of movables in the case of short term loans. These orders shall have the same effect and shall be executed in the same manner as if passed by a Competent Civil Court.

26. Subject to Bye-law 10 and subject to the condition that the total loan raised does not exceed 20 lakhs of rupees, the Bank may raise loans from time to time by the issue of debenture bonds bearing interest not exceeding five per cent per annum, and liable to be redeemed within such period not exceeding 30 years as may be prescribed by the Bank.

27. Debenture bonds shall not be issued except with the previous sanction of the Government and they shall be in such form and contain such covenants and provisions

as the Bank may, with the previous sanction of Government, prescribe in this behalf.

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31. The Government shall appoint a trustee whose duty shall be to see that the Bank fulfils its obligations to the debenture holders. For this purpose, the Bank shall transfer to the trustee its rights in the mortgages on the security of which debentures are issued. The trustee shall have power to require the Bank to credit to an account opened in his name, in such Bank as may be approved for the purpose by the Government, all recoveries made from members of the Bank under any of the mortgages whether through equated payments or on redemption or upon sale under any power of sale applicable thereto. He shall also have the following powers:—

(i) To invest or to require the Bank to invest the money at the credit of this account in his own name in any investment or deposit authorised by Government by rules or laws framed on that behalf, or in any other securities approved by the Director of Land Mortgage Banks and to vary such investments at his discretion;

(ii) to require the Bank to redeem any or all of the debentures according to the rules relating to redemption;

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(i) The election and removal of their representatives on the Board of Directors and the Board of Supervision;
(ii) The annual report due to the Director of Land Mortgage Banks;
(iii) The Director's annual audit order;
(iv) The amendment or repeal of any existing Bye-laws or the enactment of a new Bye-law;
(v) The expulsion of a member;
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34. A meeting of the general body of the members may be convened whenever necessary for the conduct of the business by the Board of Directors and shall be so convened by the Board of Directors at the request of fifteen or more members or at the instance of the Director of Land Mortgage Banks.

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(*a*) to require the summoning of a General Meeting;
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